

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 747 - SB 1511**

March 17, 2023

**SUMMARY OF BILL:** Enacts the *CEO Pay Disparity Tax Act*. Imposes an additional 0.1 percent rate of surcharge on a company's net earnings for excise tax purposes, to be paid in the fiscal year following when business was conducted, if the company's top executive is paid at least 100 times more than the median income of the company's employees. Authorizes the Department of Revenue (DOR) to promulgate rules as necessary to implement the requirements of the Act.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – Exceeds \$3,268,100/FY23-24**  
**Exceeds \$8,170,300/FY24-25 and Subsequent Years**

Assumptions:

- According to a 2021 study by the Economic Policy Institute, the average CEO of the 350 largest firms made 399 times more in realized income than the average worker in 2021.
- Excise tax collections were \$2,320,699,309 in FY21-22.
- Fiscal Review Committee staff estimates franchise and excise tax collection growth of 8.61 percent in FY22-23 and additional growth of 5.35 percent in FY23-24; therefore, estimated excise tax collections will be \$2,655,358,886 ( $\$2,320,699,309 \times 1.0861 \times 1.0535$ ) in FY23-24.
- Pursuant to Tenn. Code Ann. § 67-4-2007 the excise tax is 6.5 percent of the net earnings for the preceding fiscal year for business done in the state of Tennessee; therefore, earnings subject to the excise tax are estimated to be \$40,851,675,169 ( $\$2,655,358,886 / 6.5\%$ ) in FY23-24. For the purpose of this analysis, this number will be held constant into perpetuity.
- For the purposes of this analysis, it is assumed that at least 20 percent, or \$8,170,335,034 ( $\$40,851,675,169 \times 20\%$ ), of excise tax earnings will be from companies where the CEO makes at least 100 times more than the median income of the company's employees.
- This legislation applies to tax years beginning on or after July 1, 2023; approximately 40 percent of a full year impact will be collected in FY23-24.
- The estimated increase in state revenue as a result of the proposed legislation will exceed \$8,170,335 ( $\$8,170,335,034 \times 0.1\%$ ) in FY24-25 and subsequent years. The increase in state revenue in FY23-24 is estimated to exceed \$3,268,134 ( $\$8,170,335 \times 40\%$ ).

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**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid, with the first letters of each name being capitalized and prominent.

Krista Lee Carsner, Executive Director

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